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STRENGTHENING OF THE COORDINATION OF HUMANITARIAN AND DISASTER RELIEF ASSISTANCE OF THE UNITED NATIONS, INCLUDING SPECIAL ECONOMIC ASSISTANCE: SPECIAL ECONOMIC ASSISTANCE TO INDIVIDUAL COUNTRIES OR REGIONS

Economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)

Report of the Secretary-General

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I. INTRODUCTION

1. In its resolution 49/21 A of 2 December 1994, the General Assembly expressed concern at the persisting special economic problems confronting States, in particular the States that border the Federal Republic of Yugoslavia (Serbia and Montenegro), the other Danube riparian States and all other States adversely affected by the severance of their economic relations with the Federal Republic and the disruption of traditional transport and communications links in that part of Europe. At the same time, the Assembly recognized the urgent need for a concerted response from the international community to deal more effectively with the special economic problems of the affected States in view of their magnitude and the adverse impact of the sanctions on those States.

2. In the same resolution, the General Assembly invited the international financial institutions to continue to pay special attention to the economic problems of the affected States arising from the implementation of the sanctions and their adverse social impact and to consider, inter alia, how the existing facilities of the International Monetary Fund (IMF) might be helpful to the States concerned, with a view to alleviating their special economic problems, and how consultative group meetings of the International Bank for Reconstruction and Development for the countries in question, scheduled for 1995, might further help to mobilize additional resources to mitigate the losses and costs incurred by those countries. The Assembly also requested the competent organs, programmes and specialized agencies of the United Nations system to take into consideration, in programming their development activities, the special needs of the affected States and to consider providing assistance to them from their special programme resources. Further, the Assembly renewed its appeal to all States on an urgent basis to provide immediate technical, financial and material assistance to the affected States to mitigate the adverse effect on their economies of the application of the sanctions, inter alia, through consideration of the provision of assistance for the promotion of the exports of the affected countries and for the promotion of investments in those countries.

3. Furthermore, the General Assembly, in the same resolution, requested the Secretary-General to continue to seek, on a regular basis, information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of the affected States and to report thereon to the Security Council, as well as to submit a report on the implementation of the resolution to the Assembly at its fiftieth session. The present report was prepared in response to that request.

II. BACKGROUND: RECENT ACTION TAKEN BY THE SECURITY COUNCIL

4. The report of the Secretary-General prepared pursuant to the note by the President of the Security Council (S/25036) regarding the question of special economic problems of States as a result of sanctions imposed under Chapter VII of the Charter of the United Nations (A/48/573-S/26705) contains a section (see paras. 39-46) on the initial action taken by the Security Council, under the provisions of Article 50 of the Charter, in response to requests for assistance submitted by eight States affected by the sanctions against the Federal Republic

of Yugoslavia (Serbia and Montenegro). Moreover, the background information on the matter was updated for the period ending 1 August 1994 in the previous report of the Secretary-General on "economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)" (A/49/356, chap. II). Since then, the Security Council and its Committee established pursuant to resolution 724 (1991) concerning Yugoslavia have taken a series of steps that may have a direct or indirect bearing on the neighbouring and other affected States. The relevant decisions adopted by the Council and the Committee from August 1994 to August 1995 are reviewed below.

A. Action taken by the Security Council

5. During the period under review, the Security Council adopted a number of decisions aimed at fine-tuning the sanctions regime against the Federal Republic of Yugoslavia (Serbia and Montenegro) with a view to maximizing its political impact and minimizing its collateral damage to the neighbouring and other affected countries. As regards the latter, it has been the Council's practice to grant partial or limited exemptions from the sanctions under exceptional circumstances, on a case-by-case basis, and under appropriate forms of monitoring or control. In several cases, such measures were taken by the Council in response to requests from the neighbouring and other Danube riparian States.

6. By its resolution 943 (1994) of 23 September 1994, the Security Council decided, inter alia, to suspend, for an initial period of 100 days and subject to the effective closure of the international border between the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Bosnia and Herzegovina with respect to all goods except foodstuffs, medical supplies and clothing for essential humanitarian needs, the relevant restrictions relating to (a) all civilian passenger flights to and from Belgrade; (b) the ferry service between Bar in the Federal Republic of Yugoslavia (Serbia and Montenegro) and Bari in Italy; and (c) participation in sporting and cultural exchanges. Subsequently, the Security Council, by its resolutions 970 (1995) of 12 January 1995, 988 (1995) of 21 April 1995 and 1003 (1995) of 5 July 1995, extended the suspension of those restrictions until 18 September 1995.

7. In a letter dated 14 December 1994 (S/1994/1418) from the Chairman of the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia, the Council was informed of a major resurgence of diphtheria in several countries in central Asia and eastern Europe, and of the fact that the only available stocks of anti-serum to combat that serious condition were located in the Federal Republic of Yugoslavia (Serbia and Montenegro). In view of the exceptional humanitarian circumstances of the situation, the Security Council adopted, on the same day, resolution 967 (1994) permitting, for a period of 30 days, the export of 12,000 vials of diphtheria anti-serum from the Federal Republic of Yugoslavia (Serbia and Montenegro) as an exemption from the mandatory sanctions against that country, in particular from subparagraph 4 (a) of resolution 757 (1992).

8. Following another recommendation of the Committee, contained in a letter dated 8 May 1995 (S/1995/372) from its Chairman, the Security Council made a temporary exemption from the provisions of paragraph 16 of resolution 820 (1993) relating to the restrictions for navigation on the Danube River. By its resolution 992 (1995) of 11 May 1995, the Security Council decided, inter alia, to permit the use by vessels of the Federal Republic of Yugoslavia (Serbia and Montenegro) of the locks of the Iron Gates I system on the left-hand bank of the Danube while repairs were carried out to the locks on the right-hand bank. This measure was adopted in view of the exceptional circumstances and at the request of Romania, supported by other Danube riparian States, the Danube Commission and the European Union/Organization for Security and Cooperation in Europe (EU/OSCE) Sanctions Coordinator, who stressed the importance for safe international navigation on the Danube of the Iron Gates I system being properly maintained and repaired in a timely manner. The resolution came into force on 23 June 1995 and, upon the expiration of the initial period of 60 days, has remained in effect for another period of 60 days (22 August-20 October 1995), after the Committee had notified the Council that such further period was required for completion of the necessary repairs (S/1995/705).

9. In the same resolution, the Security Council recalled statements made by its President on the freedom of navigation on the Danube, in particular that made on 13 October 1993 (S/26572), and noted that flag States may submit claims to the authorities in the Federal Republic of Yugoslavia (Serbia and Montenegro) for reimbursement of tolls illegally imposed on their vessels transiting the section of the Danube that passes through the territory of the Federal Republic.

10. In other related developments, the Security Council requested, on several occasions, that its Committee established pursuant to resolution 724 (1991) concerning Yugoslavia adopt appropriate streamlined procedures for expediting its consideration of applications concerning legitimate humanitarian assistance, as well as proposals aimed at making the procedures of the Committee more transparent. By its resolution 1003 (1995), the Security Council noted with satisfaction that the Committee had adopted streamlined procedures for expediting its consideration of applications concerning legitimate humanitarian assistance, as well as a number of measures facilitating legitimate transshipments via the Danube River. These steps are outlined below.

B. Action taken by the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia

11. The Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia has the central responsibility of monitoring the compliance with, and assisting in the implementation of, the mandatory sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro). 1/ In accordance with the revised consolidated guidelines for the conduct of its work, the Committee deals with a wide range of incoming communications, including those that contain notifications to, or requests for authorization by, the Committee for certain activities with regard to the Federal Republic. A substantial proportion of those applications comes from the neighbouring countries, the Danube riparian countries and other affected countries in the region, and involves their economic interests.

12. During the period under review, the Committee authorized, as limited exemptions from the sanctions regime under exceptional circumstances, a number of specific requests from several States adversely affected by the sanctions. These include:

(a) A request from Albania for the transit passage from Bulgaria, Romania and Turkey, through the electric power grid of the Federal Republic of Yugoslavia (Serbia and Montenegro), of 10 million kilowatt hours per day for the period of one month;

(b) Requests from Hungary for the activities of Hungarian ice-breakers on the Yugoslav reaches of the Danube River, and for the supply of a certain amount of fuel for the operation of those ice-breakers; and for the transshipment through the Federal Republic of Yugoslavia (Serbia and Montenegro) of a dredging vessel from Slovakia, via the Danube and Tisza Rivers;

(c) A request from Romania to deliver to the Federal Republic of Yugoslavia (Serbia and Montenegro) certain amounts of fuel oil, diesel oil and motor oil for the exclusive purpose of ensuring the normal functioning of the Iron Gates hydroelectric and navigation system on the Danube;

(d) Requests from the former Yugoslav Republic of Macedonia for the removal of 13,000 tons of welded steel pipes from the Federal Republic of Yugoslavia (Serbia and Montenegro), where the consignment was blocked since August-September 1992, while in transit; for the transit of three electric motor trains through the Federal Republic of Yugoslavia (Serbia and Montenegro); and for the transshipment through the Federal Republic of Yugoslavia (Serbia and Montenegro) of 10,500 metric tons of railway tracks from Ukraine.

13. By its resolution 943 (1994), the Security Council invited the Committee established pursuant to resolution 724 (1991) concerning Yugoslavia to adopt appropriate streamlined procedures for expediting its consideration of applications concerning legitimate humanitarian assistance. By Security Council resolutions 970 (1995) and 988 (1995), the Committee was requested to expedite that work and to give priority to its consideration of applications concerning legitimate humanitarian assistance.

14. In response, the Committee set up an informal working group to devise appropriate streamlined procedures. On 1 February 1995, the Committee decided that applications from international and non-governmental humanitarian agencies, as well as applications concerning the personal belongings of individuals, should be processed on a priority basis. It was also decided that requests from international humanitarian agencies for the transshipment of humanitarian items through the territory of the Federal Republic of Yugoslavia (Serbia and Montenegro) by land would be considered under the "no-objection" procedure.

15. On 27 June 1995, following its 126th meeting, the Committee approved a series of additional recommendations of its working group on its streamlined rules and procedures, which should be read in conjunction with the revised consolidated guidelines of the Committee for the conduct of its work. The first group of these improvements, aimed at expediting matters, includes the following measures:

(a) As of 1 August 1995, the Committee's application forms for exports to, or transshipments through, the Federal Republic of Yugoslavia (Serbia and Montenegro) have been amended to include: (i) space for the itemization of goods and information on their end-use or end-user; (ii) space for inclusion of the appropriate six-digit harmonized international tariff code; and (iii) a notice indicating that applications should be accompanied by supporting financial information such as bona fide contracts, letters of credit or other documentation demonstrating a similar intent to enter into a transaction. Applications providing this information, when appropriate, receive priority processing by the Committee, with a view to speeding up their consideration and the passage of goods at the authorized border-crossing points;

(b) Kalotina and Dragoman in Bulgaria are now treated by the Committee as a single border-crossing point;

(c) The period of validity of the Committee's letters of acknowledgement and approval has been extended from three to six months, with no extensions permitted (however, fresh applications for the same goods could, if necessary, be made at the end of the six-month period).

16. Of particular importance to the neighbouring and other affected countries in the region is a second group of measures, which are intended to facilitate legitimate transshipments via the Danube River. In response to information and assurances received from the Sanctions Assistance Missions Communications Centre (SAMCOMM) in Brussels, the Committee decided to consider requests from States for authorizations for specified shipping companies to transship unlimited quantities of certain materials along the Danube under a set of specific conditions designed to ensure appropriate monitoring and control. Among them, a potentially positive economic impact on the affected countries may have the following provisions:

(a) Goods that can be considered for authorization under these new procedures are iron ore and aggregates (sand, gravel, slag), non-coking coal, steel coils and slabs. Goods should be described on applications in accordance with normal customs procedures; the Committee will review the list after three months; if no violations take place under the new procedures, it may decide, at that time, to extend them;

(b) Shipping companies making applications to transship goods via the Danube under the new procedures must have a clear record of activity on the Danube; the Committee will rely on the advice of States and bodies and organizations such as the Danube Commission and SAMCOMM for this purpose;

(c) States, with the assistance of SAMCOMM, must continue to make full inspections of all vessels and shipments on the Danube. The Committee requests States, with the assistance of SAMCOMM, to undertake full monitoring at Calafat (Romania)/Vidin (Bulgaria) and at Mohács (Hungary). Vessels inspected at loading and sealed by the Ukrainian authorities with the assistance of SAM Ukraine at Ismail need not be reinspected unless this is considered necessary by the local authorities on the basis of information supplied by SAMCOMM or for other reasons;

(d) The Committee does not require the presence of monitors on board vessels authorized by it to transship the products permitted under this new procedure. However, the shipping companies concerned should instruct their ship masters to provide information to SAM/Western European Union debriefing teams.

17. By a note verbale dated 3 July 1995 (SCA/8/95(11)), the Chairman of the Committee apprised all States of the adoption by the Committee of its streamlined rules and procedures and of the Committee's decision to review all those procedures after a three-month trial period. Under cover of a letter dated 17 July 1995, the Under-Secretary-General for Political Affairs communicated, on behalf of the Committee's Chairman, the same information to the competent organs, programmes and specialized agencies of the United Nations system as well as other international organizations concerned. It was the Committee's belief that the new procedures would significantly reduce the delays in its consideration of applications concerning legitimate humanitarian assistance and would facilitate legitimate trade on the Danube. The Committee also decided to consider further ways in which humanitarian deliveries could be expedited and to keep the question of restrictions on trade on the Danube under close review.

18. At its 126th meeting, held on 27 June 1995, the Committee put in place a number of measures aimed at making the Committee's procedures more transparent, as recommended by the Security Council in the note of its President dated 29 March 1995 (S/1995/234). To that end, the Committee decided, inter alia, to increase the practice of issuing press releases reflecting the most important matters discussed at the meetings. The Committee also decided to make available to any delegation lists indicating the status of communications processed under the "no-objection" procedure, as well as lists of major decisions adopted by the Committee at its meetings, to be prepared on a monthly basis. An annual report to the Security Council on the Committee's activities would also be prepared. The implementation of these measures should significantly increase the transparency of the Committee's procedures in the conduct of its work and further enhance the Committee's effectiveness in carrying out the mandate entrusted to it by the Security Council.

C. Follow-up to "An Agenda for Peace"

19. In the document entitled "Supplement to an Agenda for Peace: position paper of the Secretary-General on the occasion of the fiftieth anniversary of the United Nations" (A/50/60-S/1995/1), the Secretary-General highlighted, inter alia, key issues in the area of sanctions as one of the instruments for peace and security "where unforeseen, or only partly foreseen, difficulties have arisen and where there is a need for the Member States to take the 'hard decisions'" (para. 6). In paragraph 73 of the report, the Secretary-General noted that "there is an urgent need for action to respond to the expectations raised by Article 50 of the Charter. Sanctions are a measure taken collectively by the United Nations to maintain or restore international peace and security. The costs involved in their application, like other such costs (e.g., for peacemaking and peace-keeping activities), should be borne equitably by all Member States and not exclusively by the few who have the misfortune to be neighbours or major economic partners of the target country".

20. In order to address the problems in the area of sanctions, the Secretary-General suggested the establishment at the United Nations Secretariat of a mechanism to carry out several important functions in that regard. In particular, the proposed mechanism would assist the Council to assess the potential impact of sanctions, to measure their effects and to explore ways of assisting Member States that are suffering collateral damage and to evaluate claims submitted by such States under Article 50. To this end, it should be empowered to utilize the expertise available throughout the United Nations system, in particular that of the Bretton Woods institutions.

21. The Security Council considered the position paper of the Secretary-General (A/50/60-S/1995/1) at its 3492nd and 3503rd meetings, held on 18 and 19 January and 22 February 1995, respectively.

22. In a statement on behalf of the Security Council, made by its President on 22 February 1995 (S/PRST/1995/9), it was the Council's position that appropriate consideration should be given to submissions received from neighbouring or other States affected by special economic problems as a result of the imposition of sanctions. In the same statement, the Council urged the Secretary-General to take appropriate steps to reinforce those sections of the Secretariat dealing directly with sanctions and their various aspects so as to ensure that all these matters be addressed in as effective, consistent and timely a manner as possible. Further, the Council welcomed the Secretary-General's efforts to study ways and means of addressing the various aspects related to sanctions.

23. In a letter dated 31 May 1995, addressed to the Secretary-General (S/1995/440), the President of the Security Council stated, inter alia, that the members of the Council welcomed the recent increase in staff to support the sanctions committees, and looked forward to a report in due course on whether that increase had decreased the backlog in processing applications to these committees.

III. INFORMATION REGARDING ECONOMIC ASSISTANCE TO THE AFFECTED STATES

24. Originally, the reporting procedure on information regarding economic assistance provided by the international community to States adversely affected by the implementation of sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro) was established by the Secretary-General pursuant to the relevant recommendations of the Security Council (S/26040 and Add.1 and 2). In a series of communications addressed, during 1993-1994, to all States as well as to the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, the Secretary-General requested them to provide him, on a regular basis, with information on action taken or contemplated by them to alleviate the special economic problems of the affected States (see A/49/356, para. 10).

25. Pursuant to General Assembly resolution 49/21 A, entitled "Economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)", a note verbale by the Secretary-General was circulated

on 9 May 1995 to Governments inviting them to submit information on the matter. In addition, by a set of letters dated 16 May 1995, the Under-Secretary-General for Economic and Social Information and Policy Analysis requested, on behalf of the Secretary-General, the competent organs, programmes and specialized agencies of the United Nations system, including the international financial institutions, as well as the regional organizations concerned, to furnish him updated information on the activities undertaken by them in response to the relevant provisions of the resolution. Substantive features of the replies are outlined below.

A. Information received from States

26. As of 1 September 1995, the Secretary-General had received replies to the note verbale from seven States, namely, Belgium, Finland, France, Germany, Italy, Luxembourg and the United Kingdom of Great Britain and Northern Ireland. In addition, five affected countries, Bulgaria, Greece, the Republic of Moldova, Romania and Ukraine, addressed, collectively or individually, letters to the Secretary-General regarding the negative impact of the sanctions on their economies, as indicated below.

1. Affected countries

27. In a letter dated 18 April 1995 (S/1995/313), the Permanent Representative of Greece to the United Nations informed the Secretary-General and the members of the Security Council that the Ministers for Foreign Affairs of Bulgaria, Greece, the Republic of Moldova, Romania and Ukraine had adopted, on 14 April 1995, in Athens, a joint statement, by which they had agreed to undertake a collective démarche to the Secretary-General and the Security Council addressing the issue of the negative impact of the sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) both on the affected countries and on the region as a whole. In the statement, the Ministers asserted, inter alia, that, by virtue of the geographical situation of their countries, the sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) had caused significant direct and indirect losses to their economies, and that the burden of the sanctions was exceeding the reasonable point of economic and social tolerance. Moreover, the implementation of the sanctions, in their view, could have a considerable long-term negative impact on the overall political, economic, security and social situation in the affected third countries and the region as a whole.

28. In a letter dated 18 May 1995 (A/50/189-S/1995/412), the Permanent Representatives of Bulgaria, Greece, the Republic of Moldova, Romania and Ukraine to the United Nations, on behalf of their Ministers for Foreign Affairs, transmitted to the Secretary-General a letter related to the special economic problems of States directly affected by the implementation of the Security Council resolutions imposing trade and economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro). The letter outlines a number of steps that should be taken, in their opinion, as a matter of priority. These include: (a) speeding up the procedures for processing the applications, as well as general enhancement of the capabilities of the Sanctions Committee, with

a view to treating most expeditiously and on a priority basis the numerous submissions of the affected States; (b) easing the access of companies from the interested affected countries to orders by United Nations humanitarian organizations for rendering humanitarian assistance to Bosnia and Herzegovina and the Federal Republic of Yugoslavia (Serbia and Montenegro); (c) allocation of additional financial resources in order to carry out long-term transport infrastructure projects; (d) additional measures or special assistance projects in the areas of telecommunications, energy, water supply, environment etc.; (e) enhanced technical assistance and analytical support of the international financial institutions for the objective estimate of losses and their impact on the balance of payments and the national economies of the affected countries; and (f) elaboration of a special mechanism to address effectively and systematically the adverse effects of sanctions on non-target States. With regard to points (c) and (d) above, the letter proposes to convene a special meeting with the participation of the relevant programmes and agencies of the United Nations system, the major donor countries and the interested affected States.

29. Under cover of a letter of 27 June 1995 (A/50/259-S/1995/517), the Permanent Representative of Ukraine to the United Nations transmitted to the Secretary-General a letter dated 8 June 1995 from the President of Ukraine concerning a number of proposals for alleviating the negative impact on third countries of sanctions imposed by the Security Council under Chapter VII of the Charter of the United Nations. The proposed economic measures to be undertaken by the international community would include: (a) opening special credit lines by international financial institutions to render direct financial assistance to third countries to support technical projects carried out in those countries; (b) introduction by the donor countries, on a bilateral and multilateral basis, of trade preferences for third countries, including promotion of their exports; and (c) donor-country support, on a bilateral and multilateral basis, of investments in the economies of third countries, special preference being given to the sectors that sustain direct losses from the sanctions. In addition, the letter draws attention to an urgent need for further consideration at the United Nations of several other proposals, such as the establishment of an effective mechanism based on Article 50 of the Charter to solve special economic problems, which would include a voluntary compensation fund; reduction of the affected countries' dues for financing peace-keeping operations by the amount of losses incurred by those countries as a result of the sanctions regime; and creation of a standing sanctions committee of the Security Council.

2. Donor countries

30. On the other hand, the donor countries that replied to the Secretary-General's note verbale shared, in general, the concern about the persisting special economic problems of States adversely affected by the severance of their economic relations with the Federal Republic of Yugoslavia (Serbia and Montenegro) and the disruption of traditional transport and communications links in the region. While reaffirming their strong commitment to the sanctions regime as an important instrument of preventive diplomacy, most of these countries recognized, in principle, the need to provide assistance to the affected States to mitigate the adverse effects of the sanctions on their

economies. In this connection, the critical role of the international financial institutions, as well as the special regional arrangements in support of the affected countries, was highlighted and welcomed in several communications.

31. Some donor States (Belgium, France, Germany, Italy and the United Kingdom) provided specific information on their financial and technical assistance to the countries in question. Some other countries (Finland and Luxembourg) stated that they had not taken any specific action to alleviate the special economic problems of the affected States.

32. Belgium has focused its relevant bilateral assistance on the former Yugoslav Republic of Macedonia. This includes technical assistance in the amount of 15 million Belgian francs provided for border-crossing development, as well as a package of 50 million Belgian francs as financial support of the balance of payments, rendered by the Belgian Government in the framework of the assistance plan of the European Union, adopted at the Edimbourg Summit in December 1992.

33. France has been channelling its assistance to the affected countries in the region through the PHARE (Pologne-Hongrie: Assistance à la restructuration économique) programme, in order to ensure aid coordination with its European Union partners. In accordance with the particular concerns expressed by the affected countries at the relevant OSCE meetings, these efforts have focused on infrastructure-development projects in the countries with economies in transition. Since 1991, the budget of the PHARE programme has been growing at an average annual rate of 5.5 per cent, and, for 1995, will reach a total of 962 million European currency units (ECUs) or 6.7 billion French francs. The French contribution to the programme will amount to 1.3 billion French francs. At the same time, France has continuously stressed the need to improve the functioning of the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia through strengthening its secretariat and streamlining its procedures to expedite its consideration of applications for legitimate humanitarian assistance. These efforts would also contribute to alleviating the economic difficulties of the affected States.

34. As a Danube riparian State, Germany has stated that it has also been adversely affected by the economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro). From 1990 to 1993, German exports to the former Yugoslavia decreased from 8.2 billion deutsche marks to DM 4.7 billion, and its imports from this territory also dropped, from DM 7.3 billion to DM 4.8 billion. None the less, Germany has provided comprehensive assistance to other countries economically affected by the sanctions, in particular to the countries that border the Federal Republic of Yugoslavia (Serbia and Montenegro). In the context of its technical assistance to these countries, Germany has endeavoured to take into account the effects of the sanctions by: (a) providing technical support for the development of infrastructure (the most important example is the construction of the railroad line between the former Yugoslav Republic of Macedonia and Bulgaria); (b) organizing and hosting events to promote and strengthen the export capacity of Bulgaria, the former Yugoslav Republic of Macedonia and Hungary; (c) fostering the development of business contacts (e.g., participation in trade fairs in Bulgaria and Romania); and

(d) promoting small and medium-sized enterprises (e.g., through seminars on investment promotion, held recently in Albania and Hungary).

35. Germany has also reported aggregated data on its direct bilateral assistance, in 1993-1994, to the following countries: Albania (DM 46.4 million), Bulgaria (DM 85.2 million), Croatia (DM 372.3 million), Hungary (DM 1,179.8 million), Romania (DM 905.9 million) and the former Yugoslav Republic of Macedonia (DM 95.2 million). In addition, the German share of assistance provided by the European Union is 28 per cent. Accordingly, the German contributions for the period 1990-1994 in this context are as follows: DM 260.4 million for Albania, DM 548.8 million for Bulgaria, DM 935.1 million for Hungary (from 1989), DM 105.8 million for Slovenia, DM 712.8 million for Romania and DM 34.7 million for the former Yugoslav Republic of Macedonia.

36. Italy has expanded its bilateral humanitarian relief programmes in Bosnia and Herzegovina (in the amount of 5 billion lire), Croatia (3 billion lire), Slovenia (3 billion lire), the former Yugoslav Republic of Macedonia (5 billion lire) and Ukraine (2 billion lire). As regards economic assistance, Italy is the major bilateral donor for Albania in its current cooperation programme focused on the rehabilitation of infrastructure, agricultural development, development support and restructuring of the health system. Since December 1994, the former Yugoslav Republic of Macedonia has become a beneficiary under the provisions of Law 49/87 on Italy's development cooperation; it is also expected to receive balance-of-payments support on concessional terms. Initiatives have been taken in Bosnia and Herzegovina to ensure assistance in the reconstruction of war-damaged housing facilities and to provide shelter for refugees. To facilitate trade, talks are under way with Bulgaria to reopen two credit lines (each for $200 million) that were frozen in March 1990.

37. In the framework of the European Union, Italy has contributed 1.8 billion lire to a fund to be utilized for a master plan of feasibility studies for the East-West transport corridor between the Black Sea and the Adriatic as an alternative to the ground and river routes via the Federal Republic of Yugoslavia (Serbia and Montenegro). Other projects include the starting up of a monitoring system of the traffic flow in central Europe (at a cost of 2.8 billion lire), a training programme in commercial law (3.7 billion lire) and a study for the creation of industrial areas in Slovakia (initial contribution of 95 million lire).

38. The United Kingdom has provided detailed data on its assistance to Albania, Bulgaria, Hungary, Romania, the former Yugoslav Republic of Macedonia and Ukraine. At the bilateral level, budget allocations to the Know-how Fund for 1995-1996 are as follows: £800,000 for Albania; £2.6 million for Bulgaria (in addition to £2.2 million in 1994-1995); £4.5 million for Hungary (£5.5 million in 1994-1995); £4.5 million for Romania (£4 million in 1994-1995); £800,000 for the former Yugoslav Republic of Macedonia; and £7 million for Ukraine (£5.5 million in 1994-1995). Further, a total of more than £1 million has been allocated in 1994-1996 for scholarships to these six countries, and their aggregated share in 1994-1995 allocations for BBC World Service has amounted to £6.6 million. Furthermore, British Council allocations comprise the following: £110,000 for Albania (1995-1996); £2.1 million for Bulgaria (1993-1994);

£5.6 million for Hungary (1994-1995); £2.7 million for Romania (1994-1995); £760,000 for the former Yugoslav Republic of Macedonia (1995-1996); and more than £1 million for Ukraine (1995-1996).

39. At the multilateral level, the United Kingdom has been participating in the assistance programmes of the European Union and operations of the European Bank for Reconstruction and Development (EBRD), as well as in IMF and World Bank lending to the affected countries. The United Kingdom's share of 16 per cent accounts for its contribution to the PHARE programme in the amount of 266.4 million ECUs (£224.5 million) committed for 1990-1994 for Albania, Bulgaria, Hungary, Romania and the former Yugoslav Republic of Macedonia, and 53.6 million ECUs (£44 million) allocated for 1995 for the same group of countries. In the case of Ukraine, the United Kingdom's share (also 16 per cent) in the Technical Assistance for the Commonwealth of Independent States (TACIS) programme totals £21.6 million committed for 1991-1995, and the participation of the United Kingdom in EU support for energy sector reform, food and medical supplies loan and balance-of-payments assistance involves an additional 114.4 million ECUs.

B. Response of the United Nations system

40. As of 1 September 1995, updated information on the matter had been provided by the Economic Commission for Europe (ECE), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP), as well as by the World Bank and the International Monetary Fund.

1. World Bank

41. The World Bank has initiated wide-ranging programmes of support to the countries of central and eastern Europe that have been affected by the implementation of sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro). Assistance to the affected countries - whether they formally invoked Article 50 of the Charter or not - is provided in a variety of ways, including balance-of-payments support, project financing and technical cooperation. In view of the appeals for special economic assistance, these programmes have been reviewed, on a case-by-case basis, to make them as responsive as possible to the particular needs of the affected countries. For example, during the Consultative Group meetings for Bulgaria and Romania of May 1993, as well as the 1994 Consultative Group meetings for Albania and the former Yugoslav Republic of Macedonia, the assessment of the cost of the sanctions to those countries was discussed in the context of the need to mobilize additional financial resources. Within the priorities of the investment programmes of the affected countries, several projects have been redesigned to take into account the need to upgrade and diversify alternate trading routes.

42. In Albania, the Bank has supported economic reforms with its Critical Imports Project, which initially addressed the shortages and main supply-side constraints, and later provided support for the stabilization of the economy and stimulation of the supply response. To support the balance of payments, a

quick-disbursing operation for enterprise and financial-sector adjustment is being implemented. The Bank is also supervising a transport loan, which is mainly aimed at rehabilitating existing roads and should contribute directly to the improvement of the East-West transport corridor from Bulgaria to the Adriatic. This first transport sector investment will be followed by a second road project to improve the East-West corridor, and an operation to rehabilitate the port of Durrës, Albania's principal port of trade.

43. In Bosnia and Herzegovina, direct financial assistance from the Bank will not be possible until the issues surrounding Bank membership have been resolved. However, the Bank is working, together with EBRD, on a programme of technical assistance and advisory services in planning for eventual reconstruction and economic recovery of the country. This work is being carried out with the support of resources from a small trust fund established at the initiative of the Netherlands.

44. In Bulgaria, the current Bank strategy is to support market reforms, restore external creditworthiness, define a comprehensive approach to protect vulnerable groups, help create and maintain infrastructure and foster a supply response by financing private investment. In this context, the Bank reimbursed a portion of the upfront costs of the Debt and Debt Service Reduction (DDSR) Agreement concluded with Bulgaria's commercial-bank creditors in July 1994, by providing a DDSR loan of $125 million. Bank support was part of a joint effort with IMF to replenish partially Bulgaria's international reserves. Moreover, agreement has been reached with the Government on a railway rehabilitation project (loan amount: $95 million), which would support the railway restructuring programme and enable the railways to operate independently in a commercial manner.

45. In Croatia, the Bank's assistance began with the approval in June 1994 of a reconstruction project (loan amount: $128 million), which is currently being implemented, supporting the Government's priorities in the reconstruction of some war-damaged infrastructure (including roads and railways), agricultural assets, housing and community facilities. A highway project approved in April 1995 (loan amount: $80 million) addresses the overdue rehabilitation and remaining reconstruction of roads. The Bank has also been heavily involved in supporting the Government's economic reforms: a health project supporting public expenditure reform was approved in February 1995 (loan amount: $40 million); a public expenditures adjustment loan is in preparation; and an enterprise and financial sector adjustment loan has recently been appraised.

46. In Hungary, the Bank has provided considerable balance-of-payments support. In the transport sector, two investment projects are under disbursement. Although not directly addressing the loss of markets, the 1993 Roads Project (loan amount: $90 million) focuses on improving the efficiency of public expenditure on roads by supporting improvements in management, programming and planning techniques, increasing the proportion of works carried out by competitive bidding, and addressing the backlog of roads needing rehabilitation. The 1989 Transport II Project (loan amount: $95 million) was designed to reduce transport costs, increase system-wide operational efficiency and raise foreign-exchange earnings by providing important infrastructure, increasing competition in transport markets and upgrading transport technology. Some funding in these

two projects may still be reallocated for improvement of alternative border crossings.

47. In Romania, the Bank continues to provide balance-of-payments support through adjustment lending. It has also been supervising a first transport-sector loan ($120 million), the principal objectives of which are the rehabilitation and maintenance of roads. While not designed explicitly to deal with the effects of the sanctions, the project seeks to ameliorate traffic conditions in the East-West corridor that has experienced the greatest increases in passenger and freight traffic. Under this sector loan, the Bank stands ready to consider allocating resources to finance appropriate subprojects with a strong national priority, including addressing the problems caused by the sanctions.

48. In Slovenia, because of its relatively high per capita income, Bank support has focused on a few high-priority activities. Slovenia had to confront several challenges, including the need to establish fiscal and monetary independence and the lack of access to parts of the former Yugoslav market. Its adjustment to these challenges has been fairly successful owing largely to the country's orientation to western markets. A large part of Bank assistance aims, therefore, at supporting the Government's efforts to complete economic reforms, through an enterprise and financial sector adjustment loan ($80 million), which was approved in July 1993.

49. In the former Yugoslav Republic of Macedonia, the Bank has been heavily involved in supporting the Government's market-oriented reforms. In its first operation, the Bank approved, in February 1994, an economic recovery loan/credit ($80 million), half of which came from the International Development Association (IDA) and which is now fully disbursed. In April 1995, the Bank approved a $24 million transit facilitation project, which would upgrade portions of the East-West corridor, and improve the country's border crossings with Albania and Bulgaria. In addition, two operations were approved by the Bank in May 1995 (all on soft IDA terms) in support of the Government's far-reaching programme of reform in the enterprise, banking and social sectors. Such an exceptionally high level of IDA resources was made available in recognition of the country's special circumstances, including the adverse effects of the sanctions. However, the first Consultative Group meeting organized by the Bank in June 1994 did not succeed in mobilizing funds commensurate with the country's urgent needs. It is important, therefore, that the second Consultative Group meeting, planned for September 1995, evoke more substantial financial support by the international community, especially bilateral donors, to this small country, which is most seriously affected by the sanctions.

2. International Monetary Fund

50. The Fund has continued to assist the affected countries through policy advice, including assessment of the estimated impact of the sanctions and the design of an appropriate policy response in the context of the country's overall economic situation. 2/ The Fund has also helped those countries prepare estimates of the financing requirements arising from the application of the sanctions for presentation to donor and creditor groups.

51. By the beginning of 1995, all of the eight countries invoking Article 50 of the Charter of the United Nations - Albania, Bulgaria, Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia, Uganda and Ukraine - had made use of Fund resources during the period of implementation of the sanctions, in support of programmes aimed at addressing their balance-of-payments difficulties. In the second half of 1994, the Fund approved a new Stand-by Arrangement (SBA) and a second purchase under the Systemic Transformation Facility (STF) for Slovakia (total access: $264.3 million), a new annual arrangement under the Enhanced Structural Adjustment Facility (ESAF) for Uganda ($176.8 million) and a first STF purchase for Ukraine ($365.9 million). In the first half of 1995, the Fund approved additional financial assistance, totalling $1.8 billion, for the former Yugoslav Republic of Macedonia and Ukraine, in each case involving a new SBA and a second STF purchase. Two other affected countries - Albania and Hungary - whose SBAs expired earlier this year, are discussing new arrangements.

52. From May 1992 to June 1995, Fund disbursements to the eight affected countries amounted to $2.3 billion, including drawings by Albania ($69 million), Bulgaria ($362.2 million), Hungary ($88.3 million), Romania ($381.7 million), Slovakia ($250.7 million), the former Yugoslav Republic of Macedonia ($42.5 million), Uganda ($197.5 million) and Ukraine ($901.4 million). An additional $1.9 billion for six countries of the group - Albania ($17 million), Romania ($117.5 million), Slovakia ($130.6 million), the former Yugoslav Republic of Macedonia ($30.4 million), Uganda ($135.6 million) and Ukraine ($1.4 billion) - had been approved and could be disbursed according to the timetable adopted under existing arrangements when conditions are met.

53. In providing financial assistance to the affected countries, the Fund has taken into account, inter alia, the strength of the country's economic policies and factors affecting its balance of payments, including estimates of the adverse effects of the sanctions. Relative to the member's quota, access to Fund resources by most of the affected countries has been higher than the average access provided to other countries. In many of those cases, resources have been provided under the Fund's recently established special facility, STF, largely in recognition of the longer-term, systemic nature of the disruptions and particular difficulties related to the transition to a market-based economy.

3. United Nations Development Programme

54. UNDP provided assistance to several affected countries (Albania, Bulgaria, Romania, Slovakia and the former Yugoslav Republic of Macedonia) in the preparation and verification of data related to the economic impact of the application of the sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro). The consultant retained for the purpose submitted a report dated 15 April 1994, and briefed the working group (on Article 50) of the Security Council Committee established pursuant to resolution 724 (1991), at its meeting on 22 July 1994, on the main findings of his missions to the affected countries (see A/49/356, paras. 64-66).

55. At the same time, UNDP has been proceeding with the implementation of its respective regional and country programmes in the region. In addition, UNDP has

undertaken efforts to mobilize additional financial resources on behalf of the affected countries. Starting in late 1993, UNDP received from the Government of the United States of America several successive contributions for a total of more than $5.7 million in support of improving border-crossing facilities and procedures at selected locations in Albania, Bulgaria, Romania and the former Yugoslav Republic of Macedonia.

56. This programme has been undertaken in the context of the OSCE/EU-sponsored initiative to provide relief to critical customs/border bottlenecks to commercial traffic around the territory of the Federal Republic of Yugoslavia (Serbia and Montenegro) (see A/49/356, annex II). It is executed by the United Nations Office for Project Services (UNOPS) in close cooperation with the local UNDP representatives, Governments concerned and other donors. The construction process is now being completed at three locations: (a) Giurgiu/Ruse (Romania/Bulgaria); (b) Deve Bair/Gyueshevo (the former Yugoslav Republic of Macedonia/Bulgaria); and (c) Kafasan/Qafa e Thanës (the former Yugoslav Republic of Macedonia/Albania). Additional construction work and studies are also under way in Vidin (Bulgaria) and Calafat (Romania), as well as in Novo Sello (the former Yugoslav Republic of Macedonia), and port Durrës (Albania).

57. It is noteworthy that Governments of all the affected countries have made significant contributions from their own resources to complement and expand the above-mentioned construction projects in their respective countries. For example, Albania has made a cost-sharing contribution of almost $600,000 to cover additional costs related to the construction of the Qafa e Thanës border-crossing point. Therefore the UNDP Regional Directorate for Europe and the Commonwealth of Independent States, in close collaboration with the affected countries in the region, is actively involved in efforts to mobilize additional internal and external resources to further alleviate the negative effects of the sanctions.

4. United Nations Conference on Trade and Development

58. UNCTAD has been involved in several technical assistance programmes with regard to countries affected by the implementation of sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro), in particular in the areas of trade facilitation and foreign-investment promotion. Thus, UNCTAD's Automated System for Customs Data (ASYCUDA) is being implemented in Hungary, Romania and Slovakia. Requests for the installation of ASYCUDA have also been received from Albania, the former Yugoslav Republic of Macedonia (likely project initiation in October 1995) and Uganda (final negotiations currently under way).

59. Within the context of the UNCTAD-UNDP technical assistance programme, the Albanian Centre for Foreign Investment Promotion (ACFIP) was provided with various equipment. Financing was also provided for ACFIP staff to participate in study tours and meetings concerning investment promotion, foreign investment strategies, tourism and industrial development projects. In addition, UNCTAD assisted ACFIP in developing a promotional brochure for foreign investment in Albania.

5. Economic Commission for Europe

60. The ECE Inland Transport Committee, through its Principal Working Party on Inland Water Transport, noted an urgent need for concrete action to alleviate the difficulties experienced by Danubian and other countries in the region as a result of sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro). At its thirty-eighth session, in November 1994, the Principal Working Party reiterated its request to the Inland Transport Committee and ECE to take urgent measures with a view to facilitating, to the extent possible, the transit via the territory of the Federal Republic of Yugoslavia (Serbia and Montenegro) of vessels not entering Yugoslav ports and thus reviving the freedom of navigation on the Danube without hindering the sanctions regime (TRANS/SC.3/135, para. 4).

61. At its fifty-seventh session, in January 1995, the ECE Inland Transport Committee shared the concern of its Principal Working Party with regard to an extremely difficult situation in Danubian shipping as a result of the sanctions, took note of the proposals made in that regard and asked the Commission to come back to that question with a view to mitigating the problem (ECE/TRANS/111, para. 90). Accordingly, the issue was brought to the attention of ECE at its fiftieth session, in April 1995, in order to consider the possibility of compensation for the losses and costs incurred by the affected countries. However, the Commission did not consider the issue since it was felt that the matter was outside the competence of ECE; it was, indeed, taken up directly by the Security Council (see chap. II above).

62. ECE is the executing agency for Pan-European Transport Networks, the Trans-European Motorway (TEM) and Trans-European Railway (TER) projects, in central and eastern European countries. As both projects cover several countries affected by the sanctions, efforts have been made to ensure that the TEM and TER projects provide road and rail infrastructures to bypass the territory of the Federal Republic of Yugoslavia (Serbia and Montenegro).

C. Follow-up to regional initiatives and assistance arrangements

63. During the Special Ad Hoc Meeting of Senior Officials, organized by the Conference on Security and Cooperation in Europe (CSCE) at Vienna from 31 January to 1 February 1994, to identify international projects to assist affected States in the region to better cope with the effects of the sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) (see A/49/356, paras. 68-71), several parties, including the European Union and its member States as well as the United States of America, undertook to ensure a follow-up to a number of infrastructure projects presented by neighbouring and other affected countries. To this end, the contribution of the European Union has focused on the development of the infrastructure network in the region, financed through the PHARE budget, as well as coordination measures in the framework of the Group of 24 countries, especially its Transport Working Group, chaired by the European Commission.

64. The European Union remains committed to support the development of the transport infrastructure and especially the development of alternative transit

routes in the Balkan region. In the 1994 PHARE budget, some 100 million ECUs was committed (in addition to approximately 30 million ECUs allocated in the 1992 and 1993 budgets) for the co-financing of short-term projects in the region for the development/upgrading of the infrastructure, border-crossing modernization and supply of customs control and communication equipment. Thus, the Copenhagen co-financing scheme has opened the way for the PHARE programme to fund major road rehabilitation projects in Bulgaria (10.6 million ECUs), Hungary (15 million ECUs) and Romania (22 million ECUs). Under the cross-border cooperation facility, the PHARE activities also include a multi-country project for infrastructure upgrading and border-crossing modernization in the Balkans (12.3 million ECUs) and smaller-scale country projects for Albania (20 million ECUs), Bulgaria (10 million ECUs), Hungary (8 million ECUs) and Romania (1 million ECUs). 3/ Implementation of most of these projects is well under way and is expected to be finalized before the end of 1995.

65. In order to support the development of realistic priorities for the longer-term development of infrastructure in the region, the Commission has financed a number of pre-investment studies which are currently being implemented. These include: (a) the Balkan Transportation Study, which will develop a simplified transportation and planning model for the region as well as carry out a preliminary analysis of the feasibility of the development of a number of transport corridors; (b) a study on the development of Danube navigability; and (c) a feasibility study for the construction of a new Danube bridge between Romania and Bulgaria. Moreover, PHARE co-financing of a limited number of major infrastructure projects in the region for the period 1995-1999 is currently being examined.

66. At a series of meetings held in the second half of 1994 and the first half of 1995, the European Commission continued its efforts to integrate the short-term priorities identified at Vienna into the ongoing activities and longer-term projects included in the Trans-European Networks (TENs). This concerns, in the first place, the functioning, since 1 June 1994, of the two customs corridors in the Balkans that were originally established as part of a wider initiative to improve transit to and from the Balkan States most seriously affected by the sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro). Eleven countries (Albania, Austria, Bulgaria, Greece, Hungary, Romania, Slovakia, Slovenia, the former Yugoslav Republic of Macedonia, Turkey and Ukraine) are currently involved in the two customs corridors designed to relieve certain critical bottlenecks and accelerate the transit of traffic through selected border-crossing points in eastern and central Europe. 4/ To this end, efforts have been focused simultaneously on the improvement of infrastructure at the frontier posts, supply of necessary equipment to each border post through a tendering process and simplification of customs procedures and training of staff. A close link has been sought between these customs corridors, the PHARE activities in this area and the transport corridors in order to reduce the waiting time at borders. For example, a special agricultural regime aimed at enabling the rapid transport of perishable foodstuffs from the Balkan countries to markets in western Europe has been established. As a result, the situation has improved, but further efforts remain necessary.

67. The second area of particular concern is the development of transport in the region. The follow-up of the CSCE Vienna meeting on infrastructure was discussed during the general meetings of the Group of 24 Transport Working Group, held at Brussels in September 1994 and January 1995, as well as the regional joint meetings of the Group of 24 Transport and Customs Working Groups, held at Sofia in December 1994 and at Bratislava in March 1995. Special attention should be drawn to the important developments and challenges concerning the transport corridors as defined by the Pan-European Conference of Ministers of Transport, held in Crete in March 1994, and in particular those parts of the Balkans that are covered by corridor 4 (Prague-Budapest-Constanta/ Thessaloniki), corridor 5 (Trieste-Ljubljana-Budapest-Bratislava-Uzhgorod-Lvov), corridor 7 (Danube), Corridor 8 (Durrës-Tirana-Skopje-Sofia-Varna), and corridor 9 (Helsinki-Kiev/Moscow-Odessa/Kishinev/Bucharest-Plovdiv). The discussions on these transport corridors continue in the framework of various meetings intended to ensure the technical and financial aspects of their effective functioning.

68. At its summit meeting in Essen in December 1994, the European Council adopted a broad strategy for the preparation of accession by the associated countries of central and eastern Europe (CEECs) to the European Union. The key element of this pre-accession strategy is the preparation of the associated countries for their integration into the European Union's internal market as outlined in the European Commission's white paper on the issue. The Council further stressed the importance of intraregional cooperation between CEECs themselves and decided, in this context, that the Commission should develop a multi-country programme to eliminate delays at the borders, and that the programming should be done on the basis of an indicative multi-annual budget. 5/ Accordingly, the Commission has reserved a budget of approximately 90-95 million ECUs for 1995-1997 (including some 30 million ECUs on the 1995 budget) for the implementation in PHARE countries of a "consolidated border-crossing programme (transit facilitation)", which deals with further measures for modernization of the infrastructure of border-crossing points on the major transit and customs corridors and upgrading of customs procedures, including training of staff and supply of equipment. The programme also provides for a coordination mechanism within three regional areas, including the south region, where most of the affected countries belong. It is envisaged that, by the end of 1995, all the preparatory studies and priority setting will have been completed.

IV. CONCLUSIONS

69. In the context of its continued efforts to maximize the political impact and to minimize the collateral damage of the sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro), the Security Council has adopted a number of decisions that are particularly relevant to mitigating the special economic problems of the neighbouring and other affected countries. At the request of those countries, the Security Council and its Committee established pursuant to resolution 724 (1991) concerning Yugoslavia have authorized, as partial exemptions from the sanctions regime and under exceptional circumstances, designated transactions or services for specific commodities or products of crucial importance to the neighbouring States as well as the safety of international navigation on the Danube. Moreover, the new streamlined and

more transparent procedures adopted by the Committee should help reduce the delays in its consideration of applications concerning humanitarian assistance and should facilitate legitimate trade on the Danube. The Committee will continue to consider further ways in which all deliveries of humanitarian assistance, including those from the neighbouring and other affected countries, can be expedited and will keep the question of restrictions on trade on the Danube under close review.

70. In a series of communications addressed to the Secretary-General, neighbouring and other affected countries in the region have asserted that, owing to their geographical location and the structure of their economies, they continue to experience special economic problems as a result of the severance of their economic relations with the Federal Republic of Yugoslavia (Serbia and Montenegro) and especially the disruption of traditional transport and communications links in that part of Europe. Although no updated estimates of the incurred losses and costs resulting from the sanctions have been submitted by the affected countries, the heavy burden of the sanctions and their adverse long-term impact on the overall economic and social situation in those countries have been reaffirmed in several communications. To mitigate the collateral damage caused by the sanctions regime to their economies, the affected countries have addressed the international community at large with a wide range of far-reaching and specific proposals that deserve consideration as an urgent and important matter.

71. Because of the small number of responses received by the Secretary-General from the donor States, it is not possible to assess fully the level of bilateral economic assistance provided to the affected countries; nor is it possible in all cases to identify distinctly the amount of assistance directly intended to address their special economic problems arising from the implementation of the sanctions. A large part of the information provided by the donor countries relates to their ongoing assistance activities in support of the transition process in the affected countries and does not indicate a supplement of funds to compensate for the losses and costs incurred by the affected countries as a result of the sanctions. Although many reported projects had not initially been intended as special assistance measures directly aimed at mitigating the negative effects of the sanctions, they should have yielded indirect positive impact on the affected countries.

72. The World Bank and IMF, as well as relevant United Nations bodies and organs (UNDP, UNCTAD and ECE), continue to implement, within their respective mandates, existing facilities and available resources, substantial programmes of financial and technical assistance in the affected countries. In view of the renewed appeals for special economic assistance, these programmes have been reviewed, as appropriate, in order to make them as responsive as possible to the particular problems of the countries concerned. In recognition of the adverse effects of the sanctions on the balance of payments, IMF has undertaken efforts to ensure that the affected countries, when eligible, receive higher than average access to the Fund's resources and that their drawings be made on more favourable terms. Within the priorities of the investment programmes in the affected countries, the World Bank has contemplated, as warranted, redesigning the relevant projects, reallocating funds under existing loans and credits and expanding lending, taking into account sanctions-related concerns. Most

important, however, remains the need to mobilize new and additional financial resources from all potential funding sources, in particular bilateral donors and also the regional development banks, with a view to mitigating, in an effective and timely manner, the adverse impact of the sanctions regime.

73. The CSCE initiative to convene a special meeting at Vienna has resulted in a viable approach towards supporting a number of infrastructure projects in the affected countries and integrating them into a longer-term regional perspective of transport, infrastructure and communications development. The full and timely implementation of donor commitments reached at the Vienna meeting is essential to help the affected States in the region to cope with the disruption of transit traffic caused by the sanctions. However, substantial additional resources are needed to carry out longer-term transport and infrastructure projects. At the regional level, the PHARE and TACIS programmes of the European Union will continue to be crucial in unlocking funds for new projects to be implemented in cooperation with other donors - notably EBRD and the European Investment Bank - through studies, capital grants and, increasingly, direct investment. At the bilateral level, continued financing by donor countries of the improvement of border crossings in the priority corridors would be beneficial to all countries in Europe whose goods and passengers are transiting through these border crossings. Participation of international financial institutions and private-sector involvement, through public-private partnership arrangements, in such projects should be encouraged. Moreover, serious consideration should be given to holding a follow-up meeting to the meeting held at Vienna in early 1994, in order to ensure that the affected countries continue to receive the support of the international community in coping with the adverse effects of the sanctions regime.

Notes

1/ The Committee's present mandate covers the arms embargo imposed by the Security Council on the former Yugoslavia in paragraph 6 of resolution 713 (1991); the mandatory sanctions established by the Security Council against the Federal Republic of Yugoslavia (Serbia and Montenegro) in paragraphs 4 and 9 of resolution 757 (1992), paragraphs 9 to 11 of resolution 787 (1992), and paragraphs 12 to 30 of resolution 820 (1993), as amended by resolution 943 (1994); and the sanctions imposed by the Security Council in paragraphs 7 to 18 of resolution 942 (1994) against those areas of the Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces.

2/ An internal document entitled "Impact of implementing the United Nations sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro)" was submitted to the IMF Executive Board in December 1994.

3/ These projects relate to the following border stations: Qafa e Thanës and Kakavia in Albania; Ruse, Vidin, Gyueshevo and Kulata in Bulgaria; Nagylac, Rédics and Artand in Hungary; and Calafat, Giurgiu, Nadlac and Bors in Romania.

4/ At a meeting held at Thessaloniki, Greece, in March 1994, all the countries and agencies concerned agreed to establish, subject to the necessary infrastructure improvements and on the basis of the Customs Convention on

International Transport of Goods under the T.I.R. Carnet (1975), two fast-lane customs corridors: first (north-south) customs corridor: Austria-Nickelsdorf/Hungary-Hegyeshálom, Slovenia-Dolga Vas/Hungary-Rédics, Hungary-Artand/Romania-Bors, Romania-Giurgiu/Bulgaria-Ruse, Bulgaria-Kulata/Greece-Promachon, Bulgaria-Kapitan Andreevo/Turkey-Kapikule; second (west-east) customs corridor: Albania-Durrës (port), Albania-Qafa e Thanës/the former Yugoslav Republic of Macedonia-Kafasan, the former Yugoslav Republic of Macedonia-Deve Bair/Bulgaria-Gyueshevo. At the third evaluation meeting, held at Bratislava in March 1995, it was agreed to enlarge the first customs corridor by adding the following border-crossing points: Hungary-Rajka/Slovakia-Rusovce and Hungary-Zahony/Ukraine-Chop.

5/ The Essen Council also decided to increase the possibility of co-financing major infrastructure projects from 15 to 25 per cent of the total annual PHARE commitments. The follow-up discussions on the TACIS programme have been going in the same direction.